

Arena Project FAQ Seattle and King County

Overview

Q. What is the benefit of this project?

A. This project represents a significant private investment in the region and will return professional basketball to the city of Seattle and attract an NHL hockey team. Development of the arena will create thousands of construction jobs, employ hundreds of full- and part-time workers to operate the arena, add to Seattle's already considerable sports and arts culture and attract additional visitors to the area.

Q. How do the City and County benefit from this project?

A. This project benefits the City and County in a number of direct and indirect ways without risk to taxpayers or negative impact on their respective general funds. Development of the arena will create new construction jobs, ancillary economic and cultural activity will generate new tax revenues that support schools and other priorities, and the arena will be a publically owned regional asset.

City and County Role

Q. Why should the City and County help private investors pay for a new arena?

A. It's a sound public investment with little risk. This public-private partnership has significant benefits for the City, County and the region, and the arena will be a publically owned asset. Development and operation of the facility will create thousands of jobs and bring professional basketball and hockey to the city. Most importantly, the investments made by City and County will be repaid through revenues from the new arena and those who choose to use the facility.

Q. This proposed package would include up to \$200 million of combined financing from the City and County. How will that be repaid?

A. The public obligations will be repaid over 30 years through rent on the arena and taxes on arena activity, including revenues from City and County property, sales and admissions taxes. If tax revenue falls below projections, the teams using the arena will make up the shortfall by paying additional rent. The public financial obligation is also secured against more than \$500 million of private investment in the arena and an NBA franchise, and against future investment in an NHL franchise.

Q. What happens if there is a revenue shortfall?

A. The City and County are safeguarded against any cost overruns or revenue shortfalls. The private developers will pay for any cost overruns during construction. Payment of City and

County financing obligations are guaranteed by the lease agreement. If there is a shortfall in tax revenue, team owners will pay additional rent to make up the difference.

Q. Has anyone put together a financing package like this one?

A. No. This is a truly innovative approach made possible by the size of the private investment, the revenue created by the arena and the guarantees made by the teams. The public's investment will be leveraged against a significant private investment to develop the arena, and against the value of two NBA and NHL franchises.

Q. How does this financing package comply with Initiative 91?

A. Initiative 91 is an important standard that protects Seattle taxpayers. The law requires that Seattle residents get a fair return on their investment, and this proposal is designed to deliver revenues that will do so.

Q. How were revenue projections made for this financing package?

A. The City employed an expert arena consultant to ensure financial modeling was approached in a reasonable and yet conservative manner. More importantly, the proposal guarantees the revenue streams.

Q. What guarantees do the City and County have that the team won't leave?

A. The proposal requires the teams to enter into binding non-relocation agreements until the arena financing is fully repaid.

Q. What will happen if the teams demand upgrades to the arena?

A. The teams are free to upgrade the arena, but they will pay the cost of doing so. The City and County's investment is capped.

Process

Q. What are the next steps?

A. The jointly appointed review committee will evaluate the proposal and report its findings to the City and County, and both the City and County councils will need to approve an agreement on the project.

Q. Will this be put to a public vote?

A. There has already been a public vote – voters in Seattle set the parameters for the City's investment when they voted in favor of Initiative 91. The principles of this proposal are structured to ensure revenue streams consistent with Initiative 91.

Q. How is the State involved in this?

A. The State will not be asked to contribute anything to this project. Financing of the public share will be done by the City and County. The State will benefit from increased property, B&O and sales tax revenue on the arena and ancillary business activity around the arena.

Construction and Stadium District Impact

Q. What impact will the arena have on traffic in the area?

A. Local governments have invested billions already, and are investing in additional transportation infrastructure improvements in the area. Before the project begins, it must meet Transportation Mitigation Planning requirements, including the production of a detailed study of how traffic will be accommodated.

Q. Who will oversee design and construction of the arena?

A. The proposal provides assurances that the arena will be state of the art. The developer will manage design and construction of the new arena, and will be responsible for covering any and all cost overruns. The City and County will provide oversight to ensure the facility is in line with the design and operating standards specified in the agreement.

Q. How will traffic and crowds be managed on days where arena events overlap with events at the baseball or football stadiums?

A. The potential overlap of events is a situation best handled by agreements between the teams that manage the stadiums and arena. These teams have every incentive to cooperate and avoid unnecessarily competition. Team agreements are already in place between the Seahawks, Sounders and Mariners, and are working successfully in cities across the country.

Q. What is being done to address parking in the stadium district?

A. The already-ample availability of parking is one of the most attractive aspects about the proposed arena location. The public has made considerable investments in the nearby transportation infrastructure in recent years that makes the stadium district very accessible by all modes of transportation. The arena would be hosting 18,000 people for events. CenturyLink Field brings in 70,000 every football Sunday.

Q. Are other development efforts planned for the area surrounding the stadiums and proposed arena?

A. Any future plans for nearby development would be addressed through the standard zoning and land-use processes.

Q. What impact will the new arena have on the manufacturing and industrial area?

A. The proposed arena is in the area zoned as the stadium district.

Q. Was consideration given to other possible arena locations?

A. The proposed location was a choice made by the private investor, and the land was privately secured before a proposal was made to the City and County, but this appears to be a great location to build a new arena. The existing transportation infrastructure in the stadium district makes it a natural choice.

Key Arena

Q. What will happen to Key Arena?

A. Key Arena barely breaks even now. It will present a challenge whether a new arena is built in Seattle, Bellevue or Tacoma. And the Seattle Center Master Plan provides only vague guidance on the future of the Key.

There is more than one realistic path forward. The City could repurpose the Key as a small entertainment, community event venue. Chris Hansen has also expressed interest in running the Key long-term. There may be other options. Mr. Hansen has agreed to fund a study to look at both short and long term challenges and opportunities with the Key. We will look to this study and the Seattle Center Advisory Committee to provide guidance on what path to take.